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Statement by the Hon. **BARRY WHITESIDE**,
Governor of the Fund for **FIJI**

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Mr. Chairman, it is indeed an honor for me to deliver this address on behalf of the delegation of the Republic of Fiji, on the occasion of the International Monetary Fund and the World Bank Annual Meeting. I congratulate you on your appointment to Chair this joint annual discussions. I also warmly congratulate Ms Christine Lagarde for her appointment to the post of Managing Director and Madame Chairman of the Executive Board of the IMF.

Over the past 12 months, Mr. Chairman, the global economy has shown signs of slowing and downside risks have heightened, while the expansion remains unbalanced. In most advanced countries, growth has been weak as pressures from persisting fiscal and financial sector imbalances continue to overshadow the economic outlook. Growth in many emerging and developing economies remains strong although signs of overheating have emerged. As a result, global growth prospects have slightly deteriorated to a growth of 4.0 percent for the world economy this year.

Although the global economy has bounced back strongly from the depression in 2009, this path to recovery remains uncertain. As such Mr. Chairman, countries need to focus their efforts towards placing the global economy on a strong, even and sustainable growth path. This is by no means an easy task. Fiscal adjustment for some countries that need to restore fiscal sustainability, for instance, will need to be weighed against the risk of not hurting the recovery by implementing consolidation policies too early.

As such, policy cooperation amongst countries as was done, following the global financial crisis, is more critical now, given the constraints on monetary policy, continuing banking sector problems and mounting public sector debt. Policy actions will need to be stepped up to help countries secure a trajectory of positive and sustainable growth.

Mr. Chairman, growing inter-linkages among economies of the world have made the global economy more complex and as a result made policy making more challenging. The varying weights of countries in terms of their contributions to growth, trade and financial assets and liabilities, all underscore the huge differences and complexity of the world economy. These complexities, while they have provided explanations on policy failures before the crisis, have also, through the greater inter-linkages, been a cause for success in the periods both before and following the crisis.

Increased global inter-connectedness Mr. Chairman, through finance and trade had led to the longest sustained period of growth in world history prior to 2009 and also brought about remarkable achievement through greater global cooperation in the face of the recent global financial crisis. The joint efforts by countries to tackle the crisis saw the economic downturn lasting only three calendar quarters, not for a prolonged period.

Among current policy challenges is the need to reestablish strong, sustained and balanced growth for the world economy. While global growth both for this year and next year is around 4 percent, this masks the uneven recovery across the globe. Another major challenge facing many advanced economies is the huge public debt, with the debt-to-GDP ratios for many countries, increasing by 25 to 30 percentage points. Many of these countries face the need to stabilize their debt levels and return them to pre-crisis levels through substantial fiscal adjustment. The challenge for emerging economies is rapid growth amidst expansionary monetary and fiscal policies. Rising commodity prices in these economies are raising inflationary expectations and placing upward pressure on inflation.

Amidst the huge challenges facing the global economy, it is positive to note Mr. Chairman, that the Fund recognizes its need to better understand the interconnectedness between countries and as such provide policy advice to its member countries. In respect of the Fund's mandate on surveillance, innovations made since the crisis are noteworthy. The introduction of the "early warning exercise", which has strengthened the monitoring of tail risks faced by the global economy is positive. As well, the mandatory imposition of the Financial Sector Assessment Program (FSAP) on members with systematically important financial systems and the first ever FSAP for the US and China and the FSAP update for Germany are positive achievements. In addition, the increased focus by the Fund on inter-linkages among economies and the spillover effects of policies from one country on to others, should greatly improve the analysis of the Institution. Having said this Mr. Chairman, we are hopeful that the release of the Spillover Report by the Fund will be a timely one. Associated with this is the greater attention now paid to understanding macro-financial linkages as well as the quality of growth and its impact on macroeconomic stability.

Mr. Chairman, the enhancements made by the Fund to financial instruments is a welcome development. Streamlining financing programs to focus on core policies needed to reestablish growth and stability is vital. In this light, the introduction of the Flexible Credit Line and the Precautionary Credit Line should provide the insurance-like protection needed by countries in crisis. Enhancing its cooperation with regional financing arrangements is another commendable move by the Fund. It is important that the Fund continues to explore the need to further strengthen the global financial safety net.

On Fund resources, whilst we support the higher quota subscriptions by members, which will allow the Fund to draw additional funds from members at short notice for borrowing and financing purposes, we would like to see better balance, than currently is the case, in the utilisation of the funds particularly in program funding. We note that the \$330 billion fund allocation to needy countries since the crisis has greatly helped countries from succumbing to financial pressures.

Mr. Chairman, we applaud the Fund on the progress on governance reforms. The greater voice now provided to emerging market economies based on their weight in the global economy, is a historic happening. This will ensure the protection of the voices of some of the poorest in countries which are now included because of their significant weight in the global economy.

We also recognize and support the Bank's initiative on creating jobs, renewably energy sector strategy and the development of a corporate scorecard.

Mr. Chairman, I also commend the World Bank for the World Development Report 2012 on Gender Equality and Development. The key messages in the Report clearly underscore the importance of gender mainstreaming in economic development and nation building. The Report also makes an important and timely contribution to the global economic development agenda, ahead of the timeline for achieving the Millennium Development Goals.

I applaud the work done so far by the Bank to improve gender equality; however, I fully agree that more can be done in order to enhance the development impact of the Bank's programs and assistance on this front. While low and middle income countries share similar experiences and constraints in terms of gender disparities, a "one-size fits-all" solution will not work.

For developing countries like Fiji, addressing gender gaps can make a greater impact in terms of productivity gains and improving standards of living, particularly for those in rural areas.

In recognition of this, the Fijian Government has developed a national Women's Plan of Action 2010 – 2019 to guide resource allocation towards addressing priority areas which range from formal sector employment opportunities to elimination of violence against women and children.

The Plan also ensures that Fiji meets its commitments to various international conventions on women, such as the Convention on Elimination on All Forms of Violence. Women in Fiji are also the major and more successful participants of micro finance and Small to Medium Enterprise (SME) schemes funded by Government, civil society and financial institutions. In this regard, Government and key stakeholders are working together to increase awareness and financial support for micro and SME schemes.

Therefore, the World Bank's plans to increase and mainstream gender equality in operations (including financial lending and technical assistance) and policy dialogue will go a long way to guide and complement national programs. Such complementarities will ensure that development outcomes are realized much earlier.

In this regard Mr. Chairman, I welcome the Bank's focus on improving country level gender diagnostics and gender based data as a means for scaling up its lending, research and technical assistance on gender equality. Not only does this approach promote country level ownership and participation, it ensures that development solutions are tailored to country and regional contexts to enhance its impact.

To this end, I lend my support to the four focal areas identified by Management to leverage gender interests in the Bank's work and I look forward to the corporate strategic document by Management that will steer the Bank's work in promoting gender equality going forward.

I also take this opportunity to call on Management to ensure that the plight of low and middle income countries is featured prominently in the plan and design of this strategic direction.

Mr. Chairman, the Fiji economy continues to face many challenges. The actual growth for 2010 was a marginal 0.3 percent, lower than the forecast 0.6 percent. The slow pick up in global demand and high oil and food prices remain a major drag on the economy despite the strong growth in tourism and in major export commodities such as sugar, timber, gold, mineral water and fish. Sector performances have been mixed with strong growth in the services sector especially tourism, outweighing the weaker performances in the agriculture and other resource based sectors. The modest level of economic activity has seen continuing weakness in import growth, particularly in mineral fuels. This year's growth is targeted at 2.7 percent, expected to come from improved performances across most sectors. Foreign reserves continue to grow on the back of better than expected tourism receipts, stable remittance inflows and domestic export earnings. The outlook for the end of year level remains adequate at around 5 months of import cover. Excess capacity in the economy has kept underlying inflation around 3 percent or below. However, headline inflation continues to be driven by high food and oil prices. The outlook for end of year inflation is around 7 percent with an upward bias resulting mainly from recent unexpected increases in domestic food prices.

On bilateral relations, Mr. Chairman, we thank the Fund for the continuous consultations and discussions during the annual Article IV Missions, which provide valuable insight for our assessment of the macroeconomic situation, and more importantly advice on policy issues. The authorities continue to examine issues raised by the Fund during these missions as well as make progress on recommendations on the recent Safeguards Assessment report on compliance and independence issues for the Bank.

The Reserve Bank of Fiji continues to focus monetary policy towards supporting growth in priority sectors of the economy while ensuring external and financial stability. As such, the accommodative monetary policy stance by the Reserve Bank has seen the cost of borrowing in the market generally decline since the beginning of the year, auguring well for investment intentions in the country and the cost of financing for the Government. The Reserve Bank continues to review its existing prudential policies,

formulating new ones to ensure that the financial system remains sound. Moreover, the Reserve Bank in partnership with financial institutions and donors continue to review national strategies to promote greater financial inclusion in Fiji. Countries in the region recently met in Fiji to discuss concepts and tools for the supervision and regulation of non-bank microfinance institutions, which currently do not fall under the ambit of supervision by the Reserve Bank.

Mr. Chairman, on other developments in our country, the authorities continue to reaffirm their commitment to the People's Charter for Change, Peace and Progress and the Roadmap to Democracy – the guiding principle for policy formulation by the Fijian Government and the new Fiji Constitution. Following the endorsement by Pacific leaders of Fiji's Charter and the Roadmap recently, the Fijian Government has reiterated its commitment towards hosting elections in September 2014, with voter registration targeted to begin in early 2012. This new system of voting will ensure fairness to all and elimination of voter and political party fraud.

Under its civil service reform, the Government aims to improve the efficiency, effectiveness and quality of service delivered by the civil service, particularly focusing on creating a leaner and more efficient civil service, which will bring about cost savings and efficiency gains. The Fijian Government continues to implement its strategies for reforming public enterprises. Reforms and restructurings to date have been undertaken in areas including government residences and supplies, utilities, maritime, meteorological, telecommunications and agriculture-livestock. Future plans include the development of plans for outsourcing service delivery and formulating a corporate governance code.

Reform initiatives aimed at improving the accessibility to and utilization of land, have progressed well with more land now available for production and social purposes. Under the Land Use Decree 2010, the i-taukei landowners, potential investors, farmers and the state, are able to benefit through certainty of tenure and improved rental return. Furthermore, Mr. Chairman, to promote rural and outer island development, the Fijian Government had set up an "Integrated Rural Development Framework" and facility to provide additional resources for upgrading rural infrastructure. The declaration of tax free regions in these areas supported by tax and non-tax concessions, are expected to boost development in the nation.

Mr. Chairman, while the country is beginning to see tangible benefits of reforms, the Fijian Government remains adamant on its course towards addressing systematic corruption in the country. This year, Fiji has gained recognition by the United Nations Convention against Corruption (UNCAC) for its efforts in combating corruption and white collar crime in the country. This was supported by the closure of 30 convicted court cases by the Fiji Independent Commission Against Corruption (FICAC).

Mr. Chairman, the Fijian Government is committed to developing and implementing the best political, social and economic policies in order to advance the goals of good governance, prosperity and peace and national unity. The authorities continue to consult

widely with the private sector and non-governmental organizations, to identify policies appropriate to the country's current social and economic situation.

In this light Mr. Chairman, we call upon the international community and our development partners, including the Fund and the World Bank, to bear witness to the progress that Fiji has made. Our Government will continue to push for greater engagement and dialogue with the region, as evident in the recent meetings on "Strengthening Partnership Agreement Amongst Pacific Small Island Developing States" and "Economic Partnership Agreement Negotiations".

We reiterate our call to the Fund and World Bank for greater engagement with Fiji, to boost the support it needs to move the country forward quickly. Joint research programs between the Bretton Woods institutions and country officials will greatly enhance understanding of our country situation and challenges and help with capacity building. This will lead to the better design of appropriate policies to achieve our development agenda.

At this juncture, I would like to sincerely thank the Fund for the Technical Assistance Fiji continues to receive, and the work done by the IMF Pacific Technical Assistance Centre in Suva. The Reserve Bank and the Finance Ministry have specifically gained from the training provided by the new IMF Macroeconomic Adviser, and regular discussions between the IMF Resident Rep Office and the Reserve Bank have been very useful. I also thank the World Bank for its assistance to Fiji and our island neighbours through its Regional Office in Sydney, Australia.

Finally, Mr. Chairman, my best wishes to the Fund and the Bank in their future efforts and we look forward to closely working with both institutions.